

2003 Employer-Provided Adoption Assistance Exclusion**5123****Attach to your California Form 540 or Long Form 540NR.**

Name(s) as shown on return

Social Security Number

Part I Information About Your Eligible Child or Children – You must complete this part. If you need more space, attach a separate sheet of paper.

1	(a) Child's name First Last		(b) Child's year of birth	Check if child was:			(f) Child's identifying number (see instructions)
				(c) Born before 1986 and was disabled	(d) A child with special needs	(e) A foreign-born child	
Child 1				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Child 2				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Part II Employer-Provided Adoption Benefits

	2	Child 1		Child 2		
		\$10,160	00	\$10,160	00	
2 Maximum exclusion per child	2					
3 Did you receive employer-provided adoption benefits for a prior year? <input type="checkbox"/> No. Enter -0- <input type="checkbox"/> Yes. See page 2, Part II, line 3 of the instructions for the amount to enter	3					
4 Subtract line 3 from line 2	4					
5 Enter the total amount of employer-provided adoption benefits you received in 2003. This amount should be shown in box 12 of your 2003 Form(s) W-2 with code T.	5					
6 Add the amounts on line 5 for both columns and enter the result here	6					
7 Enter the smaller of line 4 or line 5. If zero, skip lines 8 through 11, enter -0- on line 12, and go to line 13	7					
8 Enter the modified adjusted gross income (from worksheet on page 2 of instructions)	8					
9 Is line 8 more than \$152,390? <input type="checkbox"/> No. Skip lines 9 and 10, and enter -0- on line 11. <input type="checkbox"/> Yes. Subtract \$152,390 from line 8	9					
10 Divide line 9 by \$40,000. Enter the result as a decimal (rounded to at least three places). Do not enter more than "1.000"	10					X .
11 Multiply line 7 by line 10	11					
12 Excluded benefits. Subtract line 11 from line 7	12					
13 Enter the federal excluded benefits from Form 8839, line 30	13					
14 Schedule CA Adjustment. Is line 12 more than line 13? If zero, STOP. You do not have a Schedule CA adjustment. <input type="checkbox"/> No. Enter the difference on Schedule CA (540 or 540NR), column C, line 7. <input type="checkbox"/> Yes. Enter the difference on Schedule CA (540 or 540NR), column B, line 7	14					

Instructions for Form FTB 5123

Employer-Provided Adoption Assistance Exclusion

Purpose

Use Part II of form FTB 5123 to figure the amount of any employer-provided adoption benefits you may exclude from your income on line 7 of Schedule CA (540 or 540NR) if:

- You received these benefits in 2003. However, special rules apply for benefits received in connection with the adoption of an eligible foreign-born child.
- You adopted a child with special needs and the adoption became final in 2003.
- You received these benefits after 1996 in connection with the adoption of an eligible foreign-born child and the adoption became final in 2003.

Definitions

Eligible Child

An eligible child is:

- Any child **under age 18**. If the child turned 18 during the year, the child is an eligible child for the part of the year he or she was under age 18.
- Any disabled person unable to care for himself or herself.
- Any child with special needs.

Employer-Provided Adoption Benefits

Employer-provided adoption benefits are amounts your employer paid directly to either you or a third party for qualified adoption expenses under a qualified adoption assistance program. Generally, a qualified adoption assistance program is a separate written plan set up by an employer to provide adoption assistance to its employees. Your salary may have been reduced to pay for these benefits. These benefits should be shown in box 12 of your Form(s) W-2 with a code **T**.

You may also be able to exclude amounts not shown in box 12 of your Form(s) W-2 if all of the following apply:

- You adopted a child with special needs. See the instructions for line 1, column (d), on this page for the definition of a child with special needs.
- The adoption became final in 2003.
- Your employer had a qualified adoption assistance program as described above.

Who May Exclude Employer-Provided Adoption Benefits?

You may take the exclusion if all three of the following apply:

1. Your filing status is single, head of household, qualifying widow(er) with dependent child, or married filing jointly. If your filing status is married filing separately, see "Married Persons Filing Separate Returns" below.
2. Your modified adjusted gross income (AGI) is less than \$192,390. To figure your modified AGI, see the instructions on page 2.
3. You report the required information about the eligible child in Part I.

Married Persons Filing Separate Returns

You may claim the exclusion if you meet items 2 and 3 listed above **and** all of the following:

- You lived apart from your spouse during the last 6 months of 2003.
- The eligible child lived in your home more than half of 2003.
- You provided over half the cost of keeping up your home.

Part I – Information About Your Eligible Child or Children

Line 1

Complete all columns that apply to the eligible child you adopted or tried to adopt. If you do not give correct or complete information, any exclusions may be disallowed.

If you cannot give complete information because you tried to adopt an eligible child but were unsuccessful or the adoption was not final by the end of 2003, complete the entries you can on line 1. Then, on the bottom of the form, enter the name and address of any agency or agent (such as an attorney) that assisted in the attempted adoption.

Child 1 or Child 2

If you made more than one attempt to adopt one eligible child, combine the amounts you spent and complete only the "Child 1" line. Do not report the additional attempt(s) on the "Child 2" line. Complete the Child 2 line only if you adopted or tried to adopt two eligible children.

More Than Two Eligible Children

If you adopted or tried to adopt more than two eligible children, fill in and attach additional forms FTB 5123 as needed. Also, write "See Attached" to the space below the "Child 2" entry.

Column (c)

Check this box if the child was born before 1986 and was disabled. A child is disabled if the child is physically or mentally unable to care for himself or herself.

Column (d)

Check this box if the child was a child with special needs. A child is a child with special needs if all three of the following apply:

1. The child was a citizen or resident of the United States or its possessions at the time the adoption process began.
2. A state (including the District of Columbia) has determined that the child cannot or should not be returned to his or her parent's home.
3. The state has determined that the child will not be adopted unless assistance is provided to the adoptive parents. Factors used by states to make this determination include:
 - The child's ethnic background and age,
 - Whether the child is a member of a minority or sibling group, and
 - Whether the child has a medical condition or a physical, mental, or emotional handicap.

Column (e)

Check this box if the child was a foreign-born child. A child is a foreign-born child if he or she was not a citizen or resident of the United States or its possessions at the time the adoption process began.

If you received employer-provided adoption benefits in 2003 in connection with the adoption of a foreign-born child and the adoption did not become final by the end of 2003, you must include the benefits in the total entered on Schedule CA (540 or 540NR), line 7. If the adoption becomes final in a later year, you may be able to exclude the benefits from your income in that year. **Note:** California law conforms with federal law in regards of a foreign-born child.

Column (f)

Enter the child's identifying number. This may be a social security number (SSN), an adoption taxpayer identification number (ATIN), or individual taxpayer identification number (ITIN).

Part II – Employer-Provided Adoption Benefits

Line 2

The maximum amount that may be excluded from income for employer-provided adoption benefits is \$10,160 per child. If you and another person (other than your spouse if filing jointly) each received employer-provided adoption benefits in connection with the adoption of the same eligible child, the \$10,160 limit must be divided between the two of you. You may divide it in any way you both agree. Cross out the pre-printed entry on line 2 and enter your share of the \$10,160 limit for that child.

Line 3

Did you receive employer-provided adoption benefits for a prior year in connection with the adoption of the same child?

No. Enter -0- on line 3.

Yes. Use the following chart to find the amount to enter on line 3. If the adoption is a foreign-born child, see instructions on page 1, line 1, column (e).

IF the last year you received benefits for was . . .	THEN enter on line 3 the total of the amounts from . . .
2002	Lines 20 and 24 of your 2002 federal Form 8839 for the child
2001	Lines 16 and 20 of your 2001 federal Form 8839 for the child
2000	Lines 16 and 20 of your 2000 federal Form 8839 for the child
1999	Lines 20 and 24 of your 1999 federal Form 8839 for the child
1998	Lines 18 and 22 of your 1998 federal Form 8839 for the child
1997	Line 15 of your 1997 federal Form 8839 for the child

NOTE: California does not conform to the aggregation of prior year benefits for a child with special needs. Therefore, if you adopted a child with special needs, enter -0-.

Line 8

Modified Adjusted Gross Income (AGI) Worksheet – Line 8
(Keep for your records)

1. Enter the amount you would enter on line 7 of Form 1040 or 1040A if you could exclude the total amount on form FTB 5123, line 6 **1** _____
2. Enter the amount from form FTB 5123, line 6 **2** _____
3. Form 1040 filers, enter the total of Form 1040 lines 8a, 9a, 10 through 13a, 14, 15b, 16b, 17 through 19, 20b, and 21. Form 1040A filers, enter the total of Form 1040A lines 8a, 9a, 10a, 11b, 12b, 13, and 14b **3** _____
4. Add lines 1, 2, and 3 **4** _____
5. Form 1040 filers, enter the total of lines 23, 24, and 27 through 32a, plus any amount entered on the dotted line next to line 33. Form 1040A filers, enter the total of lines 16 and 17 **5** _____
6. Subtract line 5 from line 4 and enter the result on FTB 5123, line 8 **6** _____